

This disclosure provides information about the business practices, compensation and conflicts of interest related to the business of Cantella & Co., Inc. (referred to as “we,” “us,” or “Cantella”). These brokerage or investment services may be offered at either of our three clearing firms: BNY Mellon Pershing, National Financial Services LLC, or Raymond James Custody & Clearing. What's right for you depends on your individual financial situation and investment objectives.

Additional disclosure information is available on Cantella’s website at [www.cantella.com/investor-disclosures.php](http://www.cantella.com/investor-disclosures.php).

## SECTION I—Cantella & Co., Inc.

### STANDARD OF CONDUCT—REGULATION BEST INTEREST

Under the SEC’s Regulation Best Interest, Cantella & Co., Inc and its associated persons (including your financial professional) are required to act in the best interest of a retail client (such as a natural person using our services primarily for personal, family, or household purposes) at the time they recommend any securities transaction or investment strategy involving securities, which includes account-type recommendations. The requirement under Regulation Best Interest is that we act in the best interest of the retail client is limited to when we make a recommendation of a security or investment strategy involving securities to a retail client. Neither Regulation Best Interest nor any best interest obligation extends to any other dealings or services we provide, including, without limitation, how we market securities and services, execute trades, the fees that we charge, or our duty to deal fairly with retail clients.

You should understand that, as a broker-dealer, we have conflicts of interest when we make a recommendation of a securities transaction or investment strategy involving securities, including that we are compensated based on the sale of securities to you, and that we recommend securities for which we own in our inventory. These conflicts of interest are described in greater detail below, as well as in other documents such as your account agreement, prospectuses and other product disclosures, trade confirmations, and account statements.

When Regulation Best Interest applies, financial professionals may be required to disclose additional information specific to them, such as material limitations on the securities or investment strategies involving securities that they may recommend, and any conflicts of interest that may be unique to them. If that is the case, then your financial professional will disclose such additional information to you orally or in writing before or at the time they make the recommendation to which that additional information relates.

### CAPACITY

All recommendations made by your Cantella financial professional regarding your broker/dealer accounts (your brokerage accounts) will be made in a broker/dealer capacity, and all recommendations regarding any account you establish under our advisory programs will be made in an advisory capacity. Even though the Firm offers both brokerage and advisory services, some of our financial professionals are able to offer only advisory accounts and services. In that situation, your financial professional will not be able to act in a

broker/dealer capacity. In other cases, your financial professional may hold limited securities registrations that restrict his or her ability to offer only certain types of investments, such as mutual funds and insurance products, rather than the Firm’s full range of products, which includes stocks, bonds, and alternative investments. If your financial professional is limited in the types of products or brokerage services, he or she may offer you, he or she will disclose this limitation by providing you with a supplemental disclosure at the outset of your relationship with us, and before making a recommendation to you.

### Broker/Dealer Capacity

In our capacity as a broker/dealer, we can recommend and effect securities transactions for you, including buying and selling securities (including investment funds and products) that can be held in your brokerage account. When we act in our capacity as a broker/dealer, we must have a reasonable basis to believe that each recommendation made to a retail customer is in the retail customer’s best interest and does not place the interest of the broker/dealer or financial professional ahead of the interest of the retail customer at the time the recommendation is made. We do not have any minimum account requirements for our brokerage accounts, but some of the investments you can purchase through us have minimum investment requirements. More information about these minimum investment requirements is available in the investment’s offering document or prospectus. Our financial professionals do not make investment decisions for you or manage your brokerage account on a discretionary basis. Because our financial professionals do not have discretionary investment authority over your brokerage accounts, they cannot buy or sell investments in your brokerage account without first obtaining your consent. While our financial professionals may recommend investments to you, it is important for you to understand that you are ultimately responsible for making the decision to purchase or sell investments. Your financial professional will only purchase or sell investments in your brokerage accounts when and as specifically directed or authorized by you. We do not monitor investments held in your brokerage account after a securities transaction is executed for you, including those investments that are recommended to you. When we act in our capacity as a broker/dealer, we are subject to the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended, the rules of self-regulatory organizations such as the Financial Industry Regulatory Authority, Inc. (FINRA) and Municipal Securities Rulemaking Board (MSRB), and applicable state laws. **The disclosures throughout this brochure relate to the Firm’s**

**retail brokerage (commission-based) business unless otherwise noted.**

Cantella & Co., Inc.'s role with your Financial Professional is to supervise their activity and process their investment business. We provide them with the tools to function as independent business owners, and as their back office, give them access to technology platforms, research capabilities, and other support services to help better assist their clients.

The financial services industry is a highly regulated industry. Cantella & Co., Inc. is responsible for ensuring your Financial Professional and our firm adhere to all applicable laws and regulations, while maintaining the highest degree of ethics, honesty, and fairness in our dealings.

For further information, we encourage every investor to review Cantella & Co., Inc.'s Form CRS, or Customer Relationship Summary, which details important information regarding:

- The types of services the firm offers;
- The fees, costs, conflicts of interest, and required standard of conduct associated with those services;
- Whether the firm and its financial professionals have reportable legal or disciplinary history; and,
- How to get more information about the firm

A relationship summary also includes questions to help you begin a discussion with an adviser or broker about the relationship, including their services, fees, costs, conflicts, and disciplinary information. You can review this document for an overview of Cantella's material Brokerage Conflicts of Interest. For information regarding conflicts for investment advisory services, please see Cantella's Form ADV 2A.

### **Financial Professionals**

We generically refer to all financial professionals who make recommendations or provide investment advice on our behalf as "financial professionals", "financial representatives" in firm communications, including, among other things, our website ([www.cantella.com](http://www.cantella.com)), account forms, account statements, trade confirmations, disclosures, and letters. Your financial professional may also use a professional title or designation that does not include the term "financial professional," such as "financial consultant," or a similar title. Regardless of your financial professional's title, all recommendations regarding your brokerage account will be made in a broker-dealer capacity, and all investment advice regarding your advisory account will be made in an investment advisory capacity. When your financial professional makes a recommendation or provides investment advice to you, your financial professional will make clear, orally or in writing, for which account the recommendation or investment advice is being made. When referring to investment advisory activities of a financial professional, we sometimes refer to them as an "investment adviser representative", "investment adviser," or "financial advisor" each as defined in the Investment Advisers Act of 1940.

### **CONFLICTS OF INTEREST**

Like all financial services providers, Cantella and its financial professionals have conflicts of interest. Cantella and its financial professionals are compensated directly by clients and indirectly from the investments made by clients in form of trails or other compensation. These arrangements are described in more detail below. When clients pay us, we typically get paid an upfront commission or sales load at the time of the transaction. Transaction charges differ from one product to another which creates an incentive to recommend products that have higher transaction charges which pay us more even if other options may be better for you. You generally will incur greater total transaction charges when there are more trades in your account, which creates an incentive to encourage you to trade more often. When we are paid indirectly from the investments made by clients, we receive ongoing compensation, typically called a "trail" payment, for as long as a client holds an investment. Please also note that not all of the conflicts described in this disclosure apply to a particular financial professional, his/her services or all the products we sell. The types and amounts of compensation we receive change over time. You should ask your financial professional if you have any questions about compensation, costs, fees, or conflicts of interest.

### **OUR AFFILIATED ENTITIES**

Cantella Insurance Agency, Inc. is a general insurance agency, which is licensed to sell certain insurance products.

## **SECTION II—COMPENSATION, COSTS AND FEES**

### **BROKERAGE COMMISSIONS**

Certain charges are levied on the purchase and sale of securities in brokerage accounts. These charges, commonly referred to as "commissions," are imposed by us for providing brokerage services and trade execution. Generally, commissions are calculated based on the principal purchase or sale amount involved and vary depending on product type, quantity of securities purchased, and other factors. Typically, a brokerage commission and other transaction fees are charged to clients by adding to the principal amount of a purchase or subtracting from the proceeds of a sale of a security, which is deducted from the client account.

### **ADVISORY FEES**

Information regarding our advisory business practices, advisory accounts, and applicable fees is summarized in the Form CRS and more fully described in the Form ADV (or Wrap Fee Program Brochure, as applicable). For a copy of these disclosure documents, please contact your financial professional or you can visit: [www.cantella.com/investor-disclosures.php](http://www.cantella.com/investor-disclosures.php).

### **ACCOUNT COSTS AND FEES**

Depending upon your account and relationship, you may also incur periodic account maintenance or Individual Retirement Account ("IRA") custodial fees, as well as processing, service, and account fees upon certain events or occurrences. You will incur interest charges if you borrow on margin or through a securities-backed loan, or if you do not remit payment when it

is due for a trade. Certain investments, such as mutual funds, have embedded fees that are generally paid by you to the mutual fund sponsor, the clearing firm and Cantella.

You will pay costs and fees whether you make or lose money on your investments. Costs and fees will reduce any amount of money you make on your investments over time. Please make sure you understand what costs and fees you are paying. You have the option to purchase almost all investment products that we recommend through other broker-dealers, and it may cost you more or less to do so. It is important to note and understand that Cantella is a for-profit organization and we sell our services to you at a higher cost than we pay for them.

Please visit [www.cantella.com/investor-disclosures.php](http://www.cantella.com/investor-disclosures.php) for our most current fee schedule, as these costs are subject to change.

### PRODUCT COSTS AND RELATED CONFLICTS

In addition to commissions, most products and services have other associated costs and fees. These costs and fees are detailed in a product's relevant offering documentation, and may be reflected on your trade confirmations and account statements.

The maximum and typical commissions for common investment products are listed below. For more information about other commissions that apply to a particular transaction, please refer to the applicable investment's prospectus or other offering document.

- **Equities and Other Exchange Traded Securities.** The maximum commission charged by Cantella in an agency capacity on an exchange traded security transaction, such as an equity, option, ETF, exchange traded note (ETN) or closed-end fund (CEF), is typically 5.0% of the transaction amount.
- **Mutual Funds and 529s.** The maximum commission or sales charge permitted under applicable rules is 8.5%, although the maximum is typically 5.75%.
- **Annuities.** The maximum upfront commission paid for new sales of annuities is typically 7.2%, but varies depending on the time purchased, on the carrier and type of annuity, such as fixed index, traditional and investment-only variable annuities.
- **Alternative Investments.** For alternative investment products, such as private equity funds, real estate private placements, or real estate investment trusts (REITs), the upfront sales load is as high as 5.5%.
- **Unit Investment Trusts (UITs).** The maximum upfront sales charge paid is typically 2%, and can depend on the length of the term of the UIT.

Financial professionals provide recommendations with respect to a broad range of investment products, including stocks, bonds, ETFs, mutual funds, annuities and alternative investments. Each type of investment product carries unique risks, and many investment products charge fees and costs that are separate from and in addition to the commissions and fees that Cantella and financial professionals receive. You can

learn more about these risks and the fees and costs charged by an investment product by reviewing the investment product's prospectus, offering memorandum, ADV 2A and the Client Disclosure Document.

### CONFLICTS RELATED TO COMPENSATION

#### Share Class and Fund Selection

Cantella offers various share classes of mutual funds and 529s. As an example, certain mutual fund share classes, often referred to as Class A shares, charge an upfront sales charge and an ongoing trail. For other mutual fund share classes, often titled Class C shares, there is no upfront sales charge paid, however, there is an ongoing trail payment and a contingent deferred sales charge to the investor if there is a redemption within a certain period of time after purchase. Depending on the length of the holding period for the mutual fund or 529, and other factors, one share class may be less expensive to the investor than another, and Cantella and the financial professional may earn more or less in compensation for one share class than another. Because of their characteristics and sales load structure, mutual funds generally are longer term investments. Frequent purchases and sales of mutual funds can result in significant sales charges unless the transactions are limited to exchanges among mutual funds offered by a sponsor that permits exchanges without additional sales charges. Cantella maintains policies and procedures that are designed to detect and prevent excessive mutual fund switching, but you should monitor your account and discuss with your financial professional any frequent mutual fund purchases and sales.

Some share classes or funds we offer do not pay to us an upfront sales charge, and pay us ongoing trails. Cantella makes no-load funds available only through certain programs. We may be compensated in other ways by the clearing firm, such as through revenue sharing payments for offering these programs. Because of the limited compensation from no-load funds, we have an incentive to limit the availability of no-load funds we offer and to recommend you in a brokerage capacity invest in funds that impose sales charges and trails.

#### Markups or Markdowns – Principal or Dealer Transactions

In your brokerage account, we may buy a security from you or sell you a security from our own account, typically in transactions involving fixed income securities. Selling to you from our own account may create incentives for us to generate trading profits or minimize losses, and thus to act against your best interest.

When Cantella buys from or sells a security to you in a principal capacity, Cantella buys or sells the security directly from you. These transactions are also known as "dealer transactions." In these circumstances, if we sell a security at a price higher than what we paid for it, we will earn a markup. Conversely, if we buy a security from you at a price lower than what we sell it for, we will earn a markdown. The maximum markup-markdown on a transaction with a client that we receive when

acting in a principal capacity typically does not exceed 5% of the value of the security. In many cases, the actual markup/markdown percentage is lower based on factors such as quantity, price, type of security, rating, maturity, etc.

### Direct Fees and Charges

If you hold a Cantella account at one of our clearing firms, Cantella or its clearing firms charge miscellaneous fees directly to your account such as fees for transaction processing, account transfers, and retirement account maintenance. Cantella generally has discretion to earn a mark-up from its actual cost, and has discretion to change the fee and to decide whether to absorb the cost, pass it on at our cost, or mark the fee up to a higher amount. These mark-ups are generally not shared with your financial professional. We earn a profit from these charges and therefore charging these fees is contrary to your interest.

On accounts held directly with a product sponsor or other custodian, there may be different fees charged, and/or the fee amounts may be lower. We typically do not share in account service fees charged in these cases. Therefore, we have an incentive to hold accounts with our clearing firms.

### Third-Party Compensation

Cantella and its financial professionals receive compensation from investment product sponsors and other third parties in connection with investments that Cantella clients make in securities such as mutual funds, annuities, and alternative investments. Some types of third-party compensation are received by Cantella and shared with financial professionals, and other types are retained only by Cantella.

**Trail Compensation** - Cantella and its financial professionals receive ongoing compensation from certain investment products such as mutual funds, annuities and alternative investments. This compensation (commonly known as trails or Rule 12b-1 fees) is typically paid from the assets of the investment product under a distribution or servicing arrangement with the investment sponsor and is calculated as an annual percentage of assets invested by Cantella clients. The more assets you invest in the product, the more we will be paid in these fees. Therefore, we have an incentive to encourage you to increase the size of your investment. The amount of trails received varies from product to product. This creates an incentive to recommend a product that pays a higher trail rather than a lower trail. We also have an incentive to recommend a product that pays trails (regardless of amount) rather than products that do not pay trails. For more information about trail compensation received with respect to a particular investment, please refer to the prospectus or offering document for the investment.

**Life Insurance** – Cantella receives compensation from issuers of variable life insurance products that are

available to brokerage clients. The amount of commission varies depending on the issuer, coverage and the premium amount. Financial professionals receive a percentage of the commissions and trailing commissions the insurance company pays to Cantella and/or Cantella Insurance Agency. Cantella financial professionals have the option of utilizing a field marketing organization to sell traditional and indexed insurance products. Cantella receives payments for business placed through these field marketing organizations. This creates an incentive for Cantella encourage financial professionals to place business through these field marketing organizations. Compensation may include payments made in connection with Cantella's marketing and sales-force education and training efforts, including Cantella's sales and education conferences. Cantella receives commissions and trail payments.

### Revenue Sharing Payments

Cantella receives revenue sharing payments on money market sweep balances by way of an agreement with our clearing firms. Because these fees can vary by fund and share class of a fund, Cantella has an incentive to recommend a fund or share class that pays more in revenue sharing than a fund or share class that pays a lower amount. Cantella typically does not share these revenue sharing payments with financial professionals. The revenue sharing payments received from all custodians are paid to us from the earnings on your uninvested cash or the assets within the sweep vehicle. For detailed information please refer to the Cash Sweep Program section below for more detailed information relating to this conflict.

Cantella also receives revenue sharing payments for no transaction fee ("NTF") funds by way of an agreement with our clearing firms. Cantella or the financial professional has a greater incentive to make available, recommend, or make investment decisions regarding investments that provide additional compensation to Cantella, the financial professional, or cost clients more than other similarly available investments. Additionally, certain mutual and NTF funds impose a surcharge on purchases and redemptions. Cantella does not receive any revenue from the surcharges imposed. This creates a conflict as it disincentives Cantella and its financial professionals from recommending surcharge funds.

- **Mutual Funds.** Cantella receives compensation of up to .50% on an annual basis of client assets held at the clearing firms.
- **No Transaction Fee Funds.** Cantella receives compensation of up to .10% on an annual basis of client assets held at the clearing firms.

### Non-Cash Compensation

We may also receive various forms of non-cash compensation from product vendors who sell or issue mutual funds, annuities, insurance, unit investment trusts, and other securities. Among other things, we may receive payment of expenses related to training and educational efforts directed

towards financial professionals, including participation in conferences organized or sponsored by us to provide generalized information not specific to any product. We may receive a fee from an individual issuer, sponsor, or manager to offset the cost of a conference.

We may also receive meals and entertainment of reasonable and customary value, and gifts up to \$100 per issuer or vendor per year.

Cantella employees and financial professionals receive non-cash compensation from investment sponsors or its clearing firms that is not in connection with any particular customer or investment. Compensation includes such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings, customer workshops or events, or marketing or advertising initiatives, including services for identifying prospective customers. Investment sponsors and/or our Clearing Firms also pay, or reimburse Cantella and/or its financial professionals, for the costs associated with education or training events that may be attended by Cantella employees and financial professionals and for Cantella sponsored conferences and events.

#### **OTHER COSTS AND FEES**

Part of our commitment to providing you the professional guidance you need to meet your financial objectives is helping you to understand what you may be charged for services. Certain fees may not apply, or may be discounted, based on the type of account you have and/or the amount of assets you hold, or the clearing firm you maintain your account with. Other fees only apply when the associated services are requested or when special processing is required. As a result, many fees listed below may not apply to your account.

The fees and charges noted in this section are not comprehensive, and there may be different or additional fees or charges depending on the products or services selected. If you have any questions about fees, please contact your financial professional. To view an up-to-date listing of our current fees at any time, visit [www.cantella.com/investor-disclosures.php](http://www.cantella.com/investor-disclosures.php).

#### **FINANCIAL PROFESSIONAL COMPENSATION FEES AND RELATED CONFLICTS**

Cantella generally compensates financial professionals pursuant to an independent contractor agreement, and not as employees. However, some financial professionals are employees of Cantella. Described below are the compensation and other benefits that independent contractor financial professionals receive from Cantella.

##### **Cash Compensation**

Your financial professional's primary compensation is composed of his or her "total production," which is based on the total assets he or she manages ("Assets Under Management"), and commissions and trails he or she receives. Commissions and trails paid to an advisor are a percentage of the Gross Dealer Concessions ("GDC") Cantella receives when a financial professional's client purchases securities through

us. Our compensation grid is investment neutral, meaning the percentage of the compensation from any given transaction your financial professional receives does not vary based on the investment recommended. Your financial professional's payout percentage is adjusted depending on your financial professional's total production. The potential to receive higher payout percentage adjustments incentivizes your financial professional to encourage more trading or recommend the purchase of additional investments that increase your financial professional's total production and payout percentage. This conflict grows as your financial professional approaches specific Firm production thresholds that will increase the percentage of the GDC he or she receives.

When compensation is based on the level of production or assets, the financial professional has a financial incentive to meet those production or asset levels. In addition, Cantella pays compensation to branch managers based on sales of products and services in the branch. In some cases, financial professionals pay a portion of their compensation to their branch manager or another financial professional for supervision and/or administrative or sales support. There is a conflict of interest because the compensation affects the branch manager's ability to provide objective supervision of the financial professional. Cantella mitigates this conflict by employing Home Office Supervisors to oversee the activity of the branches. The Home Office Supervisors are not associated with the branch, do not report to the branch managers, and are not compensated by the branch offices. Cantella and branch managers have an obligation to supervise financial professionals and may decide to terminate a financial professional's association with Cantella based on performance, a disciplinary event or other factors. The amount of revenue a financial professional generates creates a conflict of interest when considering whether to terminate a financial professional.

##### **Other Benefits**

Cantella employees and financial professionals receive non-cash compensation from investment sponsors or its clearing firms that is not in connection with any particular customer or investment. Compensation includes such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to an event, or reimbursement in connection with educational meetings, customer workshops or events, or marketing or advertising initiatives, including services for identifying prospective customers. Financial professionals are eligible to receive other benefits. These benefits present a conflict of interest because the financial professional has an incentive to remain a registered representative of Cantella in order to maintain these benefits instead of seeking another firm to which to work. These benefits include eligibility for practice management support and enhanced service support levels that give a variety of benefits, conferences (e.g., for education, networking, training, and personal and professional development), and other non-cash compensation. Such benefits also include, reduced ticket charges, free or reduced-cost marketing assistance reimbursement or credits of fees that financial professionals pay to Cantella for items such as

administrative services or technology, and payments that can be in the form of repayable or forgivable loans (e.g., for retention purposes or to assist a financial professional grow his/her securities practice). If Cantella makes a repayable loan to a new or existing financial professional, there is also a conflict of interest because Cantella's interest in collecting on the loan affects its ability to objectively supervise the financial professional. Cantella mitigates this conflict by adhering to its written supervisory procedures and issuing the appropriate disciplinary action, which could include the termination of the financial professional's association with Cantella.

### **Fees Charged to Financial Professionals**

Cantella charges financial professionals various fees under its independent contractor agreement for, among other things, trade execution, administrative services, insurance, certain outside business activity related supervision, technology and licensing. Depending on the situation, these fees make it more or less profitable for the financial professional to offer and recommend certain services or products over others. In certain cases, these fees are reduced based on the financial professional's overall business production or the amount of assets serviced by the financial professional, which gives the financial professional an incentive to recommend that you invest more in your account or engage in more frequent transactions. Transaction fees charged to your financial professional can also vary depending on the specific security that the financial professional recommends. As an example, the transaction fees a financial professional must pay to Cantella to purchase or sell a mutual fund for your account may differ between funds, which creates an incentive for your financial professional to recommend the fund that carries the lowest transaction charge.

### **Recruitment Compensation and Operational Assistance**

If a financial professional recently became associated with Cantella after working with another financial services firm, he/she may have received recruitment compensation from Cantella in connection with the transition. In many cases, this transition assistance includes payments from Cantella that are commonly intended to assist a financial professional with costs associated with the transition; however, Cantella does not verify that any payments made are actually used for transition costs. These payments can be in the form of repayable or forgivable loans, and may have favorable interest rate terms, as compared to other lenders. The amount of the loan may be related to the overall amount of assets under management by the financial professional at his or her prior firm. Such payments are generally based on the amount of assets under management at the financial professional's former firm and the projected amount of assets that will be transferring to Cantella. The receipt of this compensation creates a conflict of interest in that the financial professional has a financial incentive to recommend that a client open and maintain an account with Cantella for advisory, brokerage and/or custody services, and to recommend switching investment products or services where a client's current investment options are not available through Cantella, in order to receive a of benefit or payment.

### **Arrangements with Banks and Credit Unions**

Some financial professionals offer brokerage and advisory services on the premises of unaffiliated financial institutions, like banks and credit unions. Cantella typically shares compensation with the financial institution, including a portion of the brokerage commissions and fees the financial professional generates. In such case, the financial institution typically pays part of that amount to the financial professional.

### **Financial Professional's Outside Business Activities**

Many of our financial professionals engage in outside business activities. These are Cantella approved activities which are outside of the provision of brokerage or advisory services through Cantella. Some financial professionals are accountants, real estate agents, insurance agents, tax preparers, or lawyers. If your advisor engages in any outside business activities, these activities may cause your advisor to spend more time on the outside business activity rather than on his or her brokerage relationship with you. You may research any outside business activities your financial professional may have on as well other information about your financial professional FINRA's BrokerCheck website at [www.brokercheck.finra.org](http://www.brokercheck.finra.org). You can also find additional information on these outside business activities in your financial professional's ADV Part 2B document. Your advisor will provide this to you upon request.

### **Compensation for Other Services**

Cantella and financial professionals can offer various types of advisory and brokerage programs, platforms and services, and earn differing types and amounts of compensation depending on the type of service, program or platform in which you participate. This variation in compensation can incentivize a financial professional to recommend services, programs or platforms that generate more compensation for Cantella and the financial professional than others.

## **OTHER COMPENSATION AND OTHER CONFLICTS**

### **Cash Sweep Program**

Cantella provides clients with access to different cash sweep vehicles at each custodian, including certain money market funds that are used to automatically invest cash balances awaiting investment, in both transaction-based and advisory accounts. Cantella offers money market funds ("sweep funds") and FDIC insured bank deposit ("bank sweep") products whose shares are automatically purchased and redeemed in your account. You can find out which sweep vehicles are available by checking with your financial professional or by calling us at (800) 652-8358. You may also contact us for a free prospectus on any sweep fund or disclosure document on any bank sweep product available to you through our firm.

For accounts custodied at NFS and Pershing, Cantella receives payments directly tied to the amount of our clients' cash that is invested into bank sweep and most sweep funds. We have an incentive to recommend the sweep vehicle that provides the greatest payment to Cantella. Our compensation is paid

out of the sweep funds' assets or bank sweep return, which means that our payments reduce your rate of return.

For accounts custodied at Pershing, Cantella offers a FDIC insured bank sweep. Cantella selects from a menu of structures that offer clients varying yields based on each client's bank sweep balance, and Cantella also receives varying compensation tied to each client's investment amount. We currently offer the structure that pays all clients the same yield and pays Cantella a flat percentage of assets invested across all clients.

For accounts custodied at Pershing, Cantella receives fees based on the asset levels within each sweep fund across all clients, and aggregated within pricing groups. This structure gives us an incentive to recommend more clients invest in specific pricing groups because we receive greater compensation as our aggregate client investments increase. For transaction-based accounts Cantella selects a default sweep fund which pays us up to 0.50% per year. This has a negative impact on your rate of return. There are other available sweep options with higher rates of return.

For accounts custodied at NFS, Cantella receives fees based upon the asset levels within each sweep fund. For transaction-based accounts Cantella selects a default sweep fund which pays us up to 0.50% per year. This has a negative impact on your rate of return. There are other available sweep options with higher rates of return.

For accounts held at Raymond James, Cantella shares equally in the revenue earned by Raymond James on cash sweep vehicles, which include a bank sweep product (Raymond James Bank Deposit Sweep Program ("RJBDP")) and a free credit interest program (Client Interest Program ("CIP")). CIP balances are held by Raymond James and are not invested in a sweep fund or bank sweep. The revenue sharing payments from RJBDP and CIP are paid to us from the earnings on your uninvested cash. Raymond James shares the same percentage of their revenue with us, regardless of which sweep option you choose. Although we receive the same percentage, we will receive more or less compensation depending on the profitability of each product to Raymond James, which may change over time. In transaction-based accounts, Cantella shares a portion of this compensation with some of its financial professionals. Your financial professional must disclose this conflict to you if it applies to them before recommending a transaction-based account.

The revenue sharing payments received from all custodians are paid to us from the earnings on your uninvested cash or the assets within the sweep vehicle. This conflict provides an incentive for us to recommend that you keep greater cash balances in order to receive this additional compensation. The revenue sharing means that our cash sweep options pay less in earnings to you than other firms.

Although money market sweep funds generally seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in them. Sweep funds are not FDIC-insured and are not obligations of any bank. Cantella

is a member of the Securities Investor Protection Corporation (SIPC). SIPC provides member institutions coverage up to \$500,000 (including \$250,000 for claims of cash) per brokerage client in each recognized capacity when aggregated with other securities and cash held by the same brokerage client in the same capacity at the same member institution. Money market funds can lose value and have done so in the past. Market losses in money market funds are not covered by SIPC or FDIC. Bank sweeps have FDIC coverage limits, depending on the specific program selected. Please consult your financial professional for current coverage limits. Bank sweeps are protected against losses up to the FDIC coverage limit.

Free credit balances, such as Raymond James CIP, are protected by SIPC only, and are not a bank obligation protected by FDIC insurance.

It is important to discuss your options with your financial professional as they can help determine the right sweep option for you. You should review the prospectus or disclosure document carefully before investing or sending money.

### **Non-Sweep Money Market Investment Options**

We offer money market mutual funds as an investment, though not as the core account investment vehicle option. You are eligible to purchase shares in these money market mutual funds by giving specific orders for each purchase and sale to your financial professional. Cash balances in your Brokerage Account, however, will not be automatically swept into these money market mutual funds. You may incur a transaction charge for non-sweep purchase and redemption. The automatic sweep vehicles do not incur transaction charges.

### **Margin**

Cantella offers clients the ability to purchase securities on credit, also known as margin purchases. When a client purchase a security on margin, the clearing firm extends a line of credit to the client and charges interest on the margin balance. Cantella has a financial incentive to encourage margin borrowing because Cantella earns compensation in the form of interest, transaction charges and other fees on investments made with borrowed amounts. That financial incentive creates a conflict of interest as Cantella and financial professionals benefit from your decision to borrow and incur the various fees and interest described above. If contemplating use of margin, please consult the Margin Agreement, The Client Disclosure Document and related disclosures for additional details.

### **Error Corrections**

If a client holds an account at Cantella and a trade error caused by Cantella or its financial professional occurs in the account, Cantella will cancel the trade and remove the resulting monetary loss to a client from the account. If a trade correction is required as a result of a client (e.g., if a client does not make full payment for purchases or fails to deliver negotiable securities for liquidations before trade settlement), Cantella will cancel the trade and any resulting monetary loss will be borne by the client. In the case of a trade that requires a

correction and that resulted in a monetary gain to the client, such gain will be removed from the account and will result in a financial benefit to Cantella.

### **Rollovers**

If a client decides to roll assets out of a retirement plan, such as a 401(k) plan, and into an individual retirement account (IRA), we have a financial incentive to recommend that a client invests those assets with Cantella, because we will be paid on those assets, for example, through commissions, fees and/or third party payments. A client should be aware that such fees and commissions likely will be higher than those the client pays through the plan, and there can be custodial and other maintenance fees. As securities held in a retirement plan are generally not transferred to an IRA, commissions and sales charges may be charged when liquidating such securities prior to the transfer, in addition to commissions and sales charges previously paid on transactions in the plan. For more information about rollovers, please review the Cantella Rollover Form.

### **General Product Limitations**

All securities available to the market are not offered by us due to structure, size, and liquidity of the security or similar characteristics of the security or underlying investments. Product availability will also differ among our three clearing relationships. Additional information about product limitations can be found in the product and service sections of the Cantella Client Disclosure Document.

### **Limitations on Investment Recommendations**

Cantella and financial professionals offer and recommend investment products only from investment sponsors with which Cantella has entered into a selling agreement. Other firms may offer products and services not available through Cantella, or the same or similar investment products and services at lower cost. In addition, Cantella may only offer certain products in a brokerage account, even though there is a version of the product that may be offered through an advisory account, and vice versa. The scope of products and services offered by certain financial professionals may also be more limited than what is available through other financial professionals. A financial professional's ability to offer individual products and services depends on his/her licensing, training or branch office policy restrictions. For example, a financial professional maintaining a Series 6, Series 63 and Life Insurance Agent license is limited to providing investment company securities, such as mutual funds and UITs and variable annuity contracts. A financial professional maintaining a Series 7, Series 63 and Life Insurance Agent license is able to provide solutions including all securities available for sale by a Series 6 representative as well as individual stocks, bonds, and alternative investments, among others. As another example, a financial professional may only be licensed to provide brokerage services, and not advisory services, or vice versa. To provide investment advisory

services, a financial professional is often required to be registered as an IAR with the state in which he/she has a place of business, maintain a FINRA Series 65 or 66 registration or a Certified Financial Planner designation in good standing. You should ask your financial professional about the securities or services he/she is licensed or qualified to sell, and his/her ability to service investments that you transfer to Cantella from another firm. You can review the licenses held by your financial professional by visiting the FINRA BrokerCheck system at <http://brokercheck.finra.org>.

### **Fully-Paid Securities Lending**

With fully-paid securities lending, the clearing firm borrows securities from you, which may be used for any purpose permitted under Regulation T, including to cover a short sale or fail-to-deliver, to satisfy client possession and control requirements, or to further lend your loaned securities to other broker-dealers. The clearing firm will pay you a fee for the use of your shares based on the fee schedule contained in the fully-paid lending agreement. In exchange for the loan of securities, the clearing firm will provide you with either cash or non-cash collateral, as permissible under applicable regulations. Your account will still show that you own the security position that you have loaned to us. Cantella receives up to 10% of the net income of the transaction.

### **Additional Information**

For additional information about us and our services, please visit [www.cantella.com](http://www.cantella.com), your financial professional's website, and [www.cantella.com/investor-disclosures.php](http://www.cantella.com/investor-disclosures.php). Please be sure to review Cantella's Form CRS, Client Disclosure Document and our Form ADV Part 2A, if applicable. If you would like an updated copy of this or any other disclosure document, you can request one by contacting your financial professional or Cantella's Home Office at (800) 652-8358.